



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2011 Biennium

Bill #	SB0190	Title:	Bed tax for heritage sites, historic preservation, and travel Montana
Primary Sponsor:	Hawks, Bob	Status:	As Introduced

- | | | |
|---|--|---|
| <input type="checkbox"/> Significant Local Gov Impact | <input type="checkbox"/> Needs to be included in HB 2 | <input checked="" type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input checked="" type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>	<u>FY 2012 Difference</u>	<u>FY 2013 Difference</u>
Expenditures:				
State Special Revenue	\$4,800,411	\$5,004,505	\$5,196,678	\$5,396,231
Revenue:				
State Special Revenue	\$4,800,411	\$5,004,505	\$5,196,678	\$5,396,231
Net Impact-General Fund Balance	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

Description of fiscal impact:

This bill would increase the lodging facilities use tax rate from 4% to 5% raising revenue to state special revenue funds by \$4.8 million in FY 2010, \$5.0 million in FY 2011, \$5.2 million in FY 2012, and \$5.4 million in FY 2013. This would also change the distribution of the lodging facilities use tax revenue adding 2 state special revenue accounts that receive lodging facilities use tax revenue.

FISCAL ANALYSIS

Assumptions:

The Department of Revenue (DOR)

1. The HJR 2 assumptions estimate the lodging facilities tax revenue to be \$19.202 million in FY 2010 and \$20.018 million in FY 2011. There are no lodging facility HJR 2 assumptions for the 2013 biennium. The average estimated growth rate for FY 2010 and FY 2011 is 3.84%, and this growth rate is used to estimate revenue for FY 2012 and FY 2013.
2. The lodging facilities use tax is first distributed to DOR for the administration of the tax, then the portion paid by state government for in state travel is reimbursed to the agencies that paid the tax. The Montana heritage preservation and development account receives \$400,000, and then the remaining revenue is distributed as follows:

- a. 1% to the Montana Historical Society
 - b. 2.5% to the University of Montana for the Montana travel research program
 - c. 6.5% to the Department of Fish, Wildlife and Parks
 - d. 67.5% to the Department of Commerce
 - e. 22.5% to regional nonprofit tourism corporations
3. The HJR 2 assumptions estimate the DOR administrative portion to be \$133,709 in FY 2010 and \$133,752 in FY 2011. For fiscal note purposes, it is assumed these costs will grow by 2.5 % in FY 2012 and FY 2013.
 4. DOR administration costs will be unchanged if there is a change in the tax rate.
 5. The portion of the tax paid by state employees is reimbursed to the agencies that paid the tax. However, HJ2 assumptions are net of this reimbursement, so for fiscal not purposes it is excluded.
 6. The table below shows the assumed distribution with the HJR 2 assumptions.

SB 190 Estimated Lodging Facility Use Tax Distribution
FY 2010 through FY 2013
(\$ millions)

Fund	FY 2010	FY 2011	FY 2012	FY 2013
DOR Tax Administration	\$0.134	\$0.134	\$0.137	\$0.141
MT Heritage (\$400K)	\$0.400	\$0.400	\$0.400	\$0.400
MT Historical Society (1.0%)	\$0.187	\$0.195	\$0.202	\$0.210
University of Montana (2.5%)	\$0.467	\$0.487	\$0.506	\$0.526
Fish, Wildlife, & Park (6.5%)	\$1.213	\$1.267	\$1.316	\$1.368
Comerce (67.5%)	\$12.601	\$13.153	\$13.668	\$14.205
Regional Tourism (22.5%)	\$4.200	\$4.384	\$4.556	\$4.735
Total Revenue	\$19.202	\$20.018	\$20.787	\$21.585

7. This bill will increase the tax rate from 4% to 5% for accommodation charges for rooms rented after July, 1, 2009. The table below shows the estimated tax revenue for FY 2010 through FY 2013.

Lodging Facility Use Tax				
	FY 2010	FY 2011	FY 2012	FY 2013
Present Tax				
Total Lodging Charges	\$480.041	\$500.451	\$519.668	\$539.623
Tax Rate	x 5.00%	x 5.00%	x 5.00%	x 5.00%
Total Tax Revenue	\$19.202	\$20.018	\$20.787	\$21.585
SB 190				
Total Lodging Charges	\$480.041	\$500.451	\$519.668	\$539.623
Tax Rate	x 5.00%	x 5.00%	x 5.00%	x 5.00%
Total Tax Revenue	\$24.002	\$25.023	\$25.983	\$26.981
Difference	\$4.800	\$5.005	\$5.197	\$5.396

8. Under SB 190, the remaining revenue would be distributed as follows:
 - a. 0.8% to the Montana historical society
 - b. 2% to the UM-travel research program
 - c. 5.2% to the Department of Fish, Wildlife and Parks
 - d. 54% to the Department of Commerce
 - e. 18.05% to regional nonprofit tourism corporations

- f. 13.3% to the heritage and historic preservation
- g. 6.65% to the Travel Montana program

9. The table below shows the new distribution of the estimated revenue distribution under SB 190

SB 190 Estimated Lodging Facility Use Tax Distribution
FY 2010 through FY 2013
 (\$ millions)

Fund	FY 2010	FY 2011	FY 2012	FY 2013
DOR Tax Administration	\$0.134	\$0.134	\$0.137	\$0.141
MT Heritage (\$400K)	\$0.400	\$0.400	\$0.400	\$0.400
MT Historical Society (0.8%)	\$0.188	\$0.196	\$0.204	\$0.212
University of Montana (2.0%)	\$0.469	\$0.490	\$0.509	\$0.529
Fish, Wildlife, & Park (5.2%)	\$1.220	\$1.273	\$1.323	\$1.375
Commerce (54.0%)	\$12.673	\$13.224	\$13.741	\$14.278
Regional Tourism (18.05%)	\$4.236	\$4.420	\$4.593	\$4.773
Heritage and Preservation (13.3%)	\$3.121	\$3.257	\$3.384	\$3.517
Travel Montana (6.65%)	\$1.561	\$1.629	\$1.692	\$1.758
Total Revenue	\$24.002	\$25.023	\$25.983	\$26.981

10. The table below shows the difference between the two scenarios.

Difference in Estimated Lodging Facility Use Tax Distribution
FY 2010 through FY 2013
 (\$ millions)

Fund	FY 2010	FY 2011	FY 2012	FY 2013
DOR Tax Administration	\$0.000	\$0.000	\$0.000	\$0.000
MT Heritage	\$0.000	\$0.000	\$0.000	\$0.000
MT Historical Society	\$0.001	\$0.001	\$0.001	\$0.001
University of Montana	\$0.002	\$0.003	\$0.003	\$0.003
Fish, Wildlife, & Park	\$0.007	\$0.006	\$0.007	\$0.007
Commerce	\$0.072	\$0.071	\$0.073	\$0.073
Regional Tourism	\$0.036	\$0.036	\$0.037	\$0.038
Heritage and Preservation	\$3.121	\$3.257	\$3.384	\$3.517
Travel Montana	\$1.561	\$1.629	\$1.692	\$1.758
Total Revenue	\$4.800	\$5.005	\$5.197	\$5.396

Department of Commerce (DOC)

Montana Heritage Commission

11. It is assumed that a 1.00 FTE public relations specialist would be needed to staff the new Department of Commerce Heritage and Historic Preservation program. Estimated personal services cost for FY 2010 is \$57,987 and \$58,550 for FY 2011. FY 2012 and FY 2013 are inflated by 2.50% each fiscal year. Operating costs for the new FTE are estimated at \$23,509 in FY 2010 and \$20,082 in FY 2011. FY 2012 and FY 2013 are inflated by 2.50% each fiscal year.
12. The balance of funds would be used for Heritage and Historical Preservation purposes at Virginia and Nevada cities.

Travel Montana

13. Montana Promotion Division would see an approximately \$1.6 million increase in expenditures for tourism promotional efforts.
14. It is assumed that the new 6.65% allocation to Travel Montana would be used in the same manner as the proposed 54% allocation.

Regional Tourism

15. Regional Non-Profit Tourism Corporations would result in a \$36,000 annual increase in distributions to the tourism regions, convention and visitor bureaus, and visitor centers.

Montana Historical Society

16. The Montana Historical Society would have an approximate \$750 increase in operation expenses in the roadside historical signs and historic sites account each year.

Office of Commissioner of Higher Education UM –Travel Research Account

17. There would be an approximate \$2,500 increase in operating expenses annually in the Travel Research Account at the University of Montana.

Department of Fish Wildlife and Parks Account

18. Repair and Maintenance of State Parks would be increased by approximately \$7,000 per year.

	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>
Department of Commerce	<u>Difference</u>	<u>Difference</u>	<u>Difference</u>	<u>Difference</u>
<u>Fiscal Impact:</u>				
FTE	1.00	1.00	1.00	1.00
<u>Expenditures:</u>				
Personal Services	\$57,987	\$58,550	\$60,014	\$61,514
Op. Exp. - MT Hert. New FTE	\$23,509	\$20,082	\$20,584	\$21,099
Op. Exp. - MT Hert. Preservation	\$3,039,794	\$3,178,375	\$3,303,759	\$3,433,991
Operating Expenses - Travel MT.	\$1,632,553	\$1,699,441	\$1,764,687	\$1,831,273
Local Assist. -Regional Tour.	\$36,037	\$36,224	\$36,892	\$37,544
TOTAL Expenditures	<u>\$4,789,880</u>	<u>\$4,992,672</u>	<u>\$5,185,936</u>	<u>\$5,385,421</u>
<u>Funding of Expenditures:</u>				
Tourism Promotion Acc.	\$71,908	\$70,938	\$72,508	\$72,971
Regional Tourism	\$36,037	\$36,224	\$36,892	\$37,544
Heritage and Preservation Acct.	\$3,121,290	\$3,257,007	\$3,384,357	\$3,516,604
Travel Montana	\$1,560,645	\$1,628,503	\$1,692,179	\$1,758,302
TOTAL Funding of Exp.	<u>\$4,789,880</u>	<u>\$4,992,672</u>	<u>\$5,185,936</u>	<u>\$5,385,421</u>
<u>Revenues</u>				
Tourism Promotion Acc.	\$71,908	\$70,938	\$72,508	\$72,971
Regional Tourism	\$36,037	\$36,224	\$36,892	\$37,544
Heritage and Preservation Acct.	\$3,121,290	\$3,257,007	\$3,384,357	\$3,516,604
Travel Montana	\$1,560,645	\$1,628,503	\$1,692,179	\$1,758,302
TOTAL Revenues	<u>\$4,789,880</u>	<u>\$4,992,672</u>	<u>\$5,185,936</u>	<u>\$5,385,421</u>
Montana Historical Society				
<u>Expenditures:</u>				
Operating Expenses	\$747	\$910	\$1,074	\$1,081
<u>Funding of Expenditures:</u>				
State Special Revenue - MHS	\$747	\$910	\$1,074	\$1,081
<u>Revenues</u>				
State Special Revenue - MHS	\$747	\$910	\$1,074	\$1,081

	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>	<u>FY 2012 Difference</u>	<u>FY 2013 Difference</u>
Commissioner of Higher Ed. - Travel Research				
<u>Expenditures:</u>				
Operating Expenses	\$2,367	\$2,775	\$2,685	\$2,703
<u>Funding of Expenditures:</u>				
UM- Travel Research Program	\$2,367	\$2,775	\$2,685	\$2,703
<u>Revenues</u>				
UM- Travel Research Program	\$2,367	\$2,775	\$2,685	\$2,703
Department Of Fish Wildlife and Park				
<u>Expenditures:</u>				
Operating Expenses	\$7,354	\$6,416	\$6,982	\$7,027
<u>Funding of Expenditures:</u>				
FWP - State Parks	\$7,354	\$6,416	\$6,982	\$7,027
<u>Revenues</u>				
FWP - State Parks	\$7,354	\$6,416	\$6,982	\$7,027
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
State Special Revenue (02)	\$0	\$0	\$0	\$0

Technical Notes:

1. There is no definition of the use of funding for DOC - Travel Montana program (6.65%). Is it assumed to be the same as of the proposed 54% that is flowing to the DOC for tourism promotion.

*Sponsor's Initials*_____
*Date*_____
*Budget Director's Initials*_____
Date

- a) **Are there persons or entities that benefit from this dedicated revenue that do not pay? (please explain)**

No. The programs contemplated for funding are funded from the lodging facility use tax. However, this tax is already levied for the benefit of all Montanans. SB 190 proposes to increase the current tax by 1% and creates a new Heritage and Historic Preservation program in the Department of Commerce. Benefits from this program will accrue to all Montanans.

- b) **What special information or other advantages exist as a result of using a state special revenue fund that could not be obtained if the revenue were allocated to the general fund?**

A state special revenue account should be established for the Heritage and Historic Preservation program proposed in SB 190 because all expenditures and revenues related to the programs activities would be contained in a single accounting entity.

- c) **Is the source of revenue relevant to current use of the funds and adequate to fund the program activity that is intended? Yes / No (if no, explain)**

Yes.

- d) **Does the need for this state special revenue provision still exist? ___Yes ___No (Explain)**

Yes. A state special revenue account should be established for the program as proposed in SB 190 because all expenditures and revenues related to the programs activities would be contained in a single accounting entity.

- e) **Does the dedicated revenue affect the legislature's ability to scrutinize budgets, control expenditures, or establish priorities for state spending? (Please Explain)**

No. While statutorily appropriated, the funds in question are audited by the Office of the Legislative Auditor with any findings being presented to the Legislative Audit Committee.

- f) **Does the dedicated revenue fulfill a continuing, legislatively recognized need? (Please Explain)**

Yes. A state special revenue account should be established for the authority as proposed in SB 190 because all expenditures and revenues related to the programs activities would be contained in a single accounting entity.

- g) **How does the dedicated revenue provision result in accounting/auditing efficiencies or inefficiencies in your agency? (Please Explain. Also, if the program/activity were general funded, could you adequately account for the program/activity?)**

Yes Section 3(1) of SB 190 mandates a state special revenue account for the Heritage and Historic Preservation program. The funds deposited in the state special revenue account may be used only to defray the expenses of implementing the provisions proposed in the bill.

17-1-508, MCA requires analysis of the statutory appropriation relative to the guidance in 17-1-508 (2), MCA, to be published in the fiscal note. In reviewing and establishing statutory appropriations, the legislature shall consider the following guidelines. Answer yes or no to each of the following guidelines regarding the statutory appropriation:

	<u>Yes</u>	<u>No</u>
a. The fund or use requires an appropriation.	X	
b. The money is not from a continuing, reliable, and estimable source.		X
c. The use of the appropriation or the expenditure occurrence is not predictable and reliable.		X
d. The authority does not exist elsewhere.	X	
e. An alternative appropriation method is not available, practical, or effective.		X
f. Other than for emergency purposes, it does not appropriate money from the state general fund.	X	
g. The money is dedicated for a specific use.	X	
h. The legislature wishes the activity to be funded on a continual basis.	X	
i. When feasible, an expenditure cap and sunset date are included.		X